

Richard O. Cunningham
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February 8, 2002

Via E-mail

Ms. Gloria Blue
Executive Secretary
TPSC, Office of the U.S. Trade Representative
600 17th Street, N.W.
Washington, DC 20508

Re: Steel, Inv. No. TA-201-073: Supplemental Comments on Tellurium Quality Steel Bar in Grades 8620+TE, 5150+TE, and 5130+TE, Exclusion Request Number X-147

Dear Ms. Blue:

Corus Group plc is submitting this letter in response to particular requests made by Richard Weible, Director, AD/CVD Enforcement Office 8, at the Department of Commerce in our January 30, 2002, meeting with him to discuss tellurium quality steel bar in grades 8620+TE, 5150+TE, and 5130+TE.¹ In that meeting, Mr. Weible requested that we explore whether this product is more properly classified as a billet instead of as a hot-rolled bar. In addition, Mr. Weible requested that we explain which domestic producers can supply this product and that we refute the claims of other producers that they can manufacture this product. We will address each of these points in turn below.

Corus has re-examined whether tellurium quality steel bar in grades 8620+TE, 5150+TE, and 5130+TE should properly enter the United States under an HTS number that the ITC placed

¹ Up to this point, Corus had limited its exclusion request only to grades 8620+TE and 5150+TE. In the meeting with Mr. Weible, however, Corus' customer explained that 5130+TE should also be included in this request. These three grades all are used by Allison Transmission.

under the billet grouping. In fact, approximately 10 percent of this specialty tellurium bar could enter the United States as a billet. The remaining product is rolled from a bloom to a billet and then from a billet into a bar. Consequently, it properly enters the United States under HTS number 7228308050, a number categorized as hot-rolled bar. As a result, approximately 90 percent of the tellurium quality steel bar in grades 8620+TE, 5150+TE, and 5130+TE that Corus ships to the United States for Allison Transmission will be subject to import restrictions placed on hot-rolled bars, if any, unless an exclusion is granted for this specialty, high-value product.

The only customer that currently consumes tellurium quality steel bar in grades 8620+TE, 5150+TE, and 5130+TE in the United States is Allison Transmission. At this time, the only viable mills that Allison Transmission has designated as approved sources for this product are Corus and Timken. RTI has not been approved, nor is an approval for this company imminent. In fact, RTI has stated that it cannot produce the 8620+TE grades. See Attachment (E-mail from Mr. Smith at EMJ Metals, the purchaser of this product for Allison Transmission). Ispat Inland, North Star Steel and AmeriSteel also object to Corus' request for exclusion, but none of these producers have production facilities capable of making this product to Allison Transmission's specifications. For example, Ispat Inland cannot produce vacuum degassed steel and therefore cannot produce this product. See Attachment.

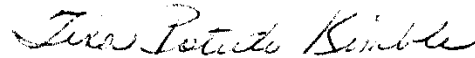
The fact that Timken is an approved source for this tellurium bar should not deter the TPSC from recommending an exclusion for this product. Timken has not demonstrated an interest in production of this specialty bar. Only recently, after repeated requests, has Timken agreed to produce this specialty product on a trial basis. Moreover, Timken has stated that it will only produce sizes above 2 5/8 inches round. In any event, the material that Timken has produced thus far has met with only marginal success. See Attachment. Consequently, as of

now, Corus is the only supplier that can provide Allison Transmission with adequate quality product on a reliable basis. In the past, the President has excluded products from relief that “are produced in such small quantities that their exemption would not have an adverse impact on the domestic industry.” Temporary Duty Increases and Quantitative Limitations on the Importation Into the United States of Certain Stainless Steel and Alloy Tool Steel, 48 Fed. Reg. 3323 (July 21, 1983). While the domestic industry would be hard-pressed to argue that this low volume product sold only to one customer is significant, imposing import restrictions that would in any way limit Allison Transmission’s access to this product would have serious consequences for that company and its supplier, EMJ Metals.

Consequently, the TPSC should recommend that tellurium quality steel bar in grades 8620+TE, 5150+TE, and 5130+TE be excluded from any relief imposed on hot-rolled bars and light shapes. In order to narrowly tailor the exclusion to include only the product required by Allison Transmission, the aspect ratio could be set forth in the President’s order. The aspect ratio of sulfide inclusions must not exceed 5.0 on 85% of the sulfide inclusions viewed in a typical section at 100 diameter magnification. It is this requirement that mandates the use of tellurium in these bars and that makes the production of these specialty bars so difficult.

We appreciate your attention to this matter and would be happy to address any further concerns that you may have.

Regards,



Richard O. Cunningham
Tina Potuto Kimble
STEPTOE & JOHNSON LLP

Counsel to Corus Group plc

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ATTACHMENT

Kimble, Tina

From: Smith, Howard [HSmith@EMJMETALS.COM]
Sent: Friday, February 01, 2002 2:10 PM
To: tkimble@steptoe.com
Cc: Franklin, Victor; Mueller, Dave
Subject: Tellurium added Alloy Steel

Tina,

We have been able to come up with the following position.

EMJ is interested in obtaining an exclusion solely for 5130Te, 5150Te and 8620Te produced to the Allison Transmission TMS 63000 series. These specifications cover materials that require a specific aspect ratio of Tellurium which controls the size and shape of sulfide inclusions. This constitutes bearing quality and additionally requires vacuum degassing. The current approved mills are:

Copperweld Steel Corp(CSC) closed

Republic Steel(note this is not Republic Technologies) closed

Daido

Within the next few weeks, Corus and Timken will be added to the Approved Mill List.

As far as the mill comments are concerned, the following represents my understanding:

Timken Tellurium grades and Allison Spec material is currently developmental only.

RTI Not approved and no approval pending. In addition, RTI has regretted on

8620TE

Inland Can not produce vacuum degassed steel . Not under consideration as a source.

No other sources are currently under consideration nor have any approached EMJ or Allison requesting consideration.

We repeat our position. EMJ as the first tier QS 9000 supplier to Allison Transmission seeks only consistency of supply. At this time, Corus is the only confirmed reliable source. While we expect, Timken Company to be added as a source over the next several months, we have no assurance that they will agree to produce this material long term. It must be noted that Timken has refused both Allison and EMJ attempt to bring them into this program. It has only been recently that they have agreed to produce developmental heats. Their success have been marginal. We must also have Tubular Products for which the bars are the feed stock a Timken has already gone on record that they will only consider sizes above 2 5/8"RD. These limitations and the fact that they do not wish to produce Cold Drawn Tubing in the grades puts EMJ/Allison in great jeopardy if Corus production is limited. We hope this information is helpfully in reaching a compromise.

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